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FM AMEMBASSY ANTANANARIVO
TO RUEHC/SECSTATE WASHDC PRIORITY 4862
INFO RUCNSAD/SADC COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0011
RUEHGH/AMCONSUL SHANGHAI 0003
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS ANTANANARIVO 000520

SIPDIS

SENSITIVE
SIPDIS

DEPT FOR AF/E - MBEYZEROV, AF/FO DAS JSWAN AND EAP/CM
DEPT FOR EB/IFD/OMA - ABESMER
TREASURY FOR FBOYE
PARIS FOR D'ELIA

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [PGOV](#) [EAID](#) [MA](#)

SUBJECT: EMBEZZLING PLAGUES MADAGASCAR'S CENTRAL BANK

REF: ANTANANARIVO 599

¶1. (SBU) SUMMARY. The Central Bank of Madagascar (BCM) faces growing concerns about its competence following recent cases of embezzlement. Three weeks ago evidence came to light that USD six million was missing at the BCM's Manakara agency. Local press reported last week another case of theft of USD 60,000 at the Toamasina branch of the BCM. A total of fifteen people are under investigation in connection with the two cases. Rumors implicate the brother of Minister of Foreign Affairs Marcel Ranjeva, branch manager of the Manakara agency, in the first case. A third case, involving USD 150,000 was already reported last March/April at Antananarivo BCM headquarters, which resulted in the arrest of seven persons. In the midst of ongoing scandals, the GOM extended the mandates of the board of directors and assessors of the Central Bank. END SUMMARY.

¶2. (SBU) Local press first reported an embezzlement case in the Manakara (eastern coastal city) branch of the BCM during the 2006 presidential campaign, alleging that the embezzled sums were destined to partly finance the Ravalomanana campaign. In February/March 2007, the newly appointed BCM Governor, Frederic Rasamoely, proceeded with a financial audit which revealed a gap of about USD six million in the accounting of its Manakara branch. According to the BCM, the crime was carried out by fraudulent subtraction of banknotes from their original packing spread out over approximately a year. An investigation carried out jointly by the Independent Anti-Corruption Bureau (BIANCO), the Economic Police Force and the Central Service of Criminal Affairs resulted in the arrest of four people. The Branch Manager of the Manakara agency, reportedly the brother of Minister of Foreign Affairs Ranjeva, is currently on a mission out of the country. His departure came a few days before the beginning of the audit investigation raising suspicion of his implication in the case.

¶3. (U) The Toamasina case seems not to have anything to do with politics. The BCM of Toamasina routinely collects old banknotes which should be destroyed. Profiting from a temporary break down of a machine, some agents withdrew approximately USD 60,000 in old Ariary bills. One of the culprits turned on the others leading to several arrests.

¶4. (U) In April, seven people were arrested in connection with yet another case of embezzlement at the BCM headquarters in Antananarivo in which USD 150,000 went missing. Investigations discovered several cases of forgery of records and checks.

¶5. (U) Amid this series of scandals, the GOM tried to reinforce confidence in the BCM by extending the mandate of all members of the

Board of Directors and of all Bank Assessors. When opposition members in the National Assembly asked Finance Minister Benjamin Radavidson about the ongoing investigations and the extensions for Bank leaders, he replied, "these are internal Central Bank affairs."

¶6. (SBU) COMMENT: The BCM already had a reputation as a relatively weak institution. With the Ariary steadily appreciating, export manufacturers would like to see the Bank intervene to stabilize the currency. An ongoing IMF audit of the TIKO company is investigating tax liabilities estimated close to USD 10 million (Septel). The massive Rio Tinto and Dynatech investments should bring millions of dollars of revenue to the government. The infusion of their early investment funds is considered the main driver of the Ariary's appreciation. Economic policy management and governance remain top challenges for the GOM. END COMMENT.

MCGEE